

# EXHIBIT C

B

P&O admits in their brief that "the Utah Supreme Court has considered the tort of unfair competition primarily in the context of palming off and misappropriation of goodwill." (Appellants' Br. at 41.) Both "palming off" and "misappropriation of goodwill" involve situations in which a company attempts to profit from the reputation of its competitor by selling one of its own products as that of its competitor or misappropriating a trademark belonging to its competitor. See, e.g., *Allen Pict. v. Glazer*, 414 P.2d 93, 95 (149 USPQ 795) (Utah 1966). That is not what occurred in the instant case, and it is not our place to expand Utah state law beyond the bounds set by the Utah Supreme Court or, in the absence of Utah Supreme Court precedent, by the lower Utah courts. See *Sellers v. Allstate Ins. Co.*, 82 P.3d 350, 352 (10th Cir. 1996). ("Our duty as a federal court sitting in diversity jurisdiction is ... to ascertain and apply the most recent statement of state law by the state's highest court." (quoting *Wood v. Eli Lilly & Co.*, 38 F.3d 510, 513 (10th Cir. 1994)); *Taylor v. Phelan*, 9 F.3d 882, 887 (10th Cir. 1993). ("As a federal court, we are generally reluctant to expand state law without clear guidance from [the state's] highest court.")

IV

The judgment of the district court is *AFFIRMED* as to all claims except the court's grant of summary judgment on P&O's Last-in-First-Out claim and its dismissal of P&O's claim for tortious interference claim, as to which we *REVERSE* and *REMAND* for further proceedings in accordance with this opinion.

Court for the Southern District of Texas after judgment was entered by the district court in the present case has no effect on our ability to resolve this appeal. See *Priddy v. Eshelman*, 881 F.2d 438, 442 (6th Cir. 1989); *Flood v. Harrington*, 333 F.2d 1248, 1250 (9th Cir. 1976). The legal questions presented can be addressed on remand when there will be no opportunity to develop a record on the nature and factual bases for the discredited claim in Texas and to configure those with the nature and factual basis for the claim in the instant case. See *Northern Mutual Guar. Co. v. Grubbs*, 921 F.2d 678, 681-82 (10th Cir. 1991).

(2) Practice and procedure in Patent and Trademark Office — Prosecution — Declaration/affidavits (§ 110.0913) — Practice and procedure in Patent and Trademark Office — Reissue — Error without deceptive intent (§ 110.1303)

Reissue declarations submitted by infringing patentees, satisfied requirements of 35 U.S.C. § 251, and its implementing regulations, since declarations were reviewed and approved by U.S. Patent and Trademark Office, and declaration should be afforded in PTO's decision in this regard, since declaration of founder and president of plaintiff company, explained that attorney who prepared and filed original specification failed to recognize that subject matter covered in reissue claims was not disclosed or made obvious by prior art at time of original application, and since such recitation is generally sufficient to satisfy "error" requirement of Section 251, although declarations do not fully specify and discuss each unnecessary limitation present in original claims and omitted from reissue claims, applicant is only required to identify differences between original and reissue claims, and need not form discussion solely in terms of necessary and unnecessary limitations, and level of detail provided in plaintiffs' declarations is sufficient to satisfy requirements of Section 251.

Particular patents — Electrical — Night vision devices

Re. 33,572. Meyers, invisible light beam projector and night vision system, plaintiffs' motion for summary judgment that patent is not invalid granted in part.

Action by B.E. Meyers & Co. Inc. and Brad E. Meyers against the United States for patent infringement. On parties' cross-motions for summary judgment on issue of patent validity, plaintiffs' motion granted in part and denied in part; defendant's motion denied. *D. William Toome, Bellevue, Wash.* for plaintiffs. *Chub-I Chiang, Frank W. Hunger, assistant attorney general, Victor J. DiPietro, director, and John Eargo, all of U.S. Department of Justice, Washington, D.C.* for defendant. *Brugink, J.*

Pending are cross-motions for summary judgment on the validity of plaintiff's patent No. Re. 33,572. Plaintiff seeks damages from the United States based on alleged infringement of its patents on certain night-vision devices. Defendant moves for summary judgment, asserting that most of plaintiff's claims should be dismissed because the patents which were allegedly infringed are invalid. Plaintiff has responded by filing a cross-motion seeking to establish the validity of the disputed patents. Oral arguments took place on March 31, 2000, after which the court ordered supplemental briefing. The briefing is now complete, and further argument is deemed unnecessary. For the reasons set out below, plaintiff's cross-motion for summary judgment is granted in part and denied in part. Defendant's cross-motion is denied.

FACTUAL BACKGROUND

Plaintiff is a manufacturer of various night-vision devices. Among these devices are night-vision goggles. These devices are items referred to by the parties as "infrared illuminators." The early versions of these devices were essentially high-powered flashlights, with infrared ("IR") LEDs used as lens cups, provided along a viewer. The later version, referred to by the parties as the second-generation illuminator, abandoned the use of the flashing IR filter combination. Instead, the illuminator housed an IR Light Emitting Diode ("LED") which projected an infrared beam through a lens system that focused the infrared light. The entire system was encased in a housing and then mounted atop a viewer that allowed the user to see objects illuminated by the infrared beam. In the original patented version of plaintiff's device, the IR-LED was designed to pulse off and on while in operation, in order to prevent the diode from burning out.

Plaintiff later sought to have patent No. 572 reissued in broader form, alleging that the original patent was too narrow in that it included limitations related to the pulsing of the IR LED within the original plaintiff's broadened claim. In its reissue application, plaintiff indicated that it believed its lens system capable of "pulsing" the energy from its source of electromagnetic radiation into a beam with a

Brad E. Meyers is founder and president of B.E. Meyers, Inc. ("BEM"). Mr. Meyers founded, as well as BEM, appears as parties in this action. They will be referred to collectively as "Plaintiff."

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well defined peripheral edge" was in fact a separate invention that qualified for independent protection, regardless of whether particular-pulsing circuitry was used to control power supply to the IR LED. Plaintiff's reissue application was ultimately granted after being reviewed by the same Patent and Trademark Office ("PTO") examiner who dealt with plaintiff's original claim.

In its motion, defendant attempts to show that plaintiff's re-issue patent for the illuminator is invalid for several reasons. It first asserts that plaintiff violated the "on-sale bar" rule of 35 U.S.C. § 102(b) (1994) by offering to sell the patented device more than one year before it actually applied for patent protection. Second, it claims that plaintiff improperly used the reissue process to "recapture" subject matter that it surrendered in order to distinguish its device from other pre-existing inventions during the original patent application process. Third, it argues that plaintiff's reissue claims are invalid because they do not cover the same device described in plaintiff's disclosure. In connection with its original patent application, plaintiff asserts that plaintiff's reissue claims are invalid because plaintiff's reissue declarations are not sufficiently detailed. Plaintiff cross-moves for summary judgment, arguing that defendant's theories are without merit, and that, because defendant has not pointed to further flaws in its patent, the court should declare the patent valid.

Plaintiff's statement of genuine issues identifies a number of defendant's proposed facts with which it disagrees. As defendant correctly points out, many of plaintiff's "genuine issues" simply quibble with the phraseology of defendant's proposed facts. There are, however, sufficient disputes of material fact in connection with defendant's first and third theories to render summary judgment inappropriate for either party. As for defendant's remaining two theories of invalidity, the court concludes that summary judgment in favor of plaintiff is appropriate.

## DISCUSSION

Patents are presumed valid. See 35 U.S.C. § 282 (1994). Defendant thus bears the burden of establishing invalidity by clear and convincing evidence. See *Arko v. E.I. Du Pont de Nemours*, 810 F.2d 1148, 1150-51 (1 USPQ2d 1704) (Fed. Cir. 1987). Defendant also bears the burden of proof in challenging plaintiff's

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evolved, the terms used to describe the devices, namely infrared spot illuminators or IR illuminators, remained the same. For this reason, according to plaintiff's references to IR illuminators in plaintiff's 1983 correspondence with customers do not necessarily indicate that the product being referred to is the specific IR illuminator for which BEM eventually sought and received patent protection.

The first example of an alleged commercial offer for sale relied on by defendant is based on an August 31, 1983 letter from BEM to a Mr. Killion. The relevant portion of this letter indicates that BEM is offering Mr. Killion a new product not yet described in BEM marketing brochures:

There is one product we have just completed that you will not find a flyer on. However, I think you would find it appealing so I will describe it to you. It is a 2nd generation night vision device similar to the Noctron V. It is a more compact package made to accept camera lenses of your choice, has a 2" view screen on the back, and comes with a near-infrared spotlight attached to the side. The spotlight provides added illumination in minimal light situations. The total package sells for \$2,995.00.

The parties vigorously dispute whether the "near-infrared spotlight" mentioned in this letter is a first generation flashlight with an IR filter, or the second generation illuminator with an IR LED. The latter is the device that was ultimately patented by BEM. If it referred to the former, then the letter to Mr. Killion was not an offer to sell the patented device. If it was the latter, however, then the letter was an offer to sell the patented device, and the only issue remaining would be whether the device itself was ready to patent at some time prior to the critical date.

Defendant points out that the reference to a new product in the Killion letter encompassed both the viewer and the near-infrared spotlight. It points to exhibits of earlier BEM product brochures, which offered to sell a flashlight and an IR filter, and which referred to these items as an "infrared and white illuminator." These exhibits show that the flashlight and IR filter were joined and sold separately. This shows, according to defendant, that the near-infrared spotlight referred to in the Killion letter had to be something other than the flashlight and IR filter, because the Killion letter is discussing a new product not

illustrated in BEM brochures, yet the flashlight and IR filter had been offered and sold in BEM brochures since at least 1982.

Defendant also relies on deposition testimony from a Mr. George Luginbill, a former BEM sales representative who worked with BEM until September 1983. Mr. Luginbill, whose signature appears at the bottom of the Killion letter, testified that he believed the near-infrared spotlight referred to in the Killion letter was "the prototype infrared illuminator," and not the Streamlight flashlight with an IR filter. Defendant argues that the prototype illuminator referred to by Mr. Luginbill was what both parties call the "smoking model" of the IR illuminator, which used an IR LED to project a beam of infrared light that could be seen through a viewer. The smoking model was plaintiff's earliest version of the device that eventually became the patented illuminator.<sup>2</sup> Defendant argues that Luginbill's testimony shows that plaintiff was offering to sell Killion the same illuminator for which plaintiff ultimately received patent protection.

Defendant attempts to draw a connection between the device offered in the Killion letter and the device offered and photographed in connection with a September 19, 1983 letter sent to a Mr. Ross Kruglak, another BEM customer. Defendant references BEM orders from September 6 and September 15, 1983, which indicate that Mr. Killion had purchased a Dark Invader second generation night viewer along with an "infrared spot illuminator." Defendant then points to the September 19 letter to Mr. Kruglak, in which Mr. Meyers indicates he is enclosing pictures of a second generation Dark Invader image intensifier along with an attached infrared spot illuminator. Defendant argues that a physical configuration of the device in the photo refutes any possibility that the infrared spot illuminator was merely a flashlight with an IR filter. There, according to defendant, because the infrared spot illuminator in the photo accompanying the Kruglak letter is not a flashlight, and because the Killion work orders indicate that he had ordered an infrared spot illuminator, the near-infrared spotlight referenced in the August 31 Killion letter must have been a new type of illuminator similar to the one referred

<sup>2</sup> It was called the smoking model because the IR LED would burn out after approximately one hour of continuous use.

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enced in the Kruglak letter, and not, as plaintiff would have it, a flashlight with an IR filter attached.<sup>3</sup>

Defendant's final argument relates to BEM's November 1983 invoice to Killion. In it, BEM informs Killion that he is receiving a Dark Invader night viewer, but not an infrared spot illuminator. The invoice explains that the infrared spot illuminator is back-ordered because BEM had not received its "infrared emitters." Defendant, citing to Mr. Meyers' deposition testimony, argues that these "emitters" were similar to the IR LEDs used in the smoking model. Meyers testified during his deposition that BEM did not refer to the flashlight and IR filter an emitter. Defendant argues that this supports the conclusion that the illuminator prepared for Mr. Killion in November of 1983 was the same as the patented IR LED illuminator, and not a flashlight with an IR filter.<sup>4</sup>

In response to defendant's first point, plaintiff argues that the new product described in the Killion letter was the second generation Dark Invader viewer, and that there is nothing in the language of the letter to support defendant's contention that the "near-infrared spotlight" was being touted as a new product.

In response to defendant's second argument, plaintiff offers testimony from another BEM employee, Mr. Paurek. He was shown the Killion letter, and testified that he believed, given the date of the letter, that it referred to the flashlight with IR filters as opposed to the IR LED illuminator. Plaintiff also

<sup>3</sup> Defendant also argues that the Kruglak letter refers to an IR filter as an item that could be purchased separately and used with a Straylight flashlight. It asserts that the filter appears as a separate item in the photograph. Defendant contends that because the letter and the photograph make a distinction between an infrared spot illuminator and an IR flashlight and filter, it would be unreasonable to infer that they were one and the same.

<sup>4</sup> In connection with this argument, defendant also points to a letter from Meyers to a Mr. Paul Gerschlager of the U.S. Army. The letter, dated November 18, 1983, discusses an infrared spot illuminator that could produce a magnified spot of a diameter of approximately 400 feet. Defendant argues that the characteristics of the illuminator described in the Gerschlager letter are the same as those described in plaintiff's new product bulletin for the patented illuminator. Defendant also points out that Mr. Meyers admitted during his deposition that the illuminator referenced in the Gerschlager letter may have been the smoking model. Meyers' testimony, however, is equivocal as to what he was administering.

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an unbroken chain of development for a prototype illuminator that lasted into late 1983, and that much of the 1983 sales activity pointed to by defendant involved this FBI prototype, later abandoned, as opposed to the prototype of the patented illuminator. At oral argument, plaintiff also sought to clarify its position on this issue by arguing that nearly all of the developmental work on the patented illuminator actually took place during a relatively compressed time period in late 1983 and early 1984.

Although defendant has put forward substantial evidence that the patented product was on sale more than one year prior to patenting, there is some contrary evidence. In the end, the issue as to what was for sale is one of fact, and it is contested. Proper evaluation of the evidence requires the court to assess the credibility of witnesses and to draw inferences from sometimes conflicting pieces of documentary evidence. The court therefore cannot appropriately enter summary judgment in favor of either party in connection with defendant's first theory of invalidity.

## Surrender and Recapture

Defendant's second theory is that plaintiff's patent is invalid because it allegedly recaptures subject matter surrendered by plaintiff during prosecution of its original patent. Defendant alleges that plaintiff surrendered subject matter regarding its pulsing diode during its initial application, and then deleted the same limitations while seeking approval for its reissue claims. See *Mentor Corp. v. Coloplast, Inc.*, 998 F.2d 992, 995-96 [27 USPQ2d 1521] (Fed. Cir. 1993) (discussing "recapture rule," which prohibits patentee from using reissue process to regain protection for subject matter surrendered during original prosecution).

Plaintiff argues that the entire pulsing diode limitation was unnecessary to begin with, and that the only surrendered subject matter relates to limitations added to the original and unnecessary pulsing diode limitation. Therefore, plaintiff argues, it was free to remove the entire pulsing diode limitation, which by definition includes the added limitations, from its broadening reissue claim. This left plaintiff free to protect what the PTO examiner indeed found to be an independent invention, namely a light source that, when focused through a particular lens system, was capable of projecting a beam having a well-defined peripheral edge.

A party may broaden its patent while applying for a reissue claim. The law does not, however, permit attempts to recapture subject matter affirmatively surrendered during the initial patent prosecution, particularly where the purpose of surrender was to distinguish the claimed invention from the prior art. See *Mentor Corp.*, 998 F.2d at 995-96.

The first step in applying the recapture rule is determining "whether and in what respect the reissue claims are broader than the original patents." See *Hatier Industries, Inc. v. Stein*, 142 F.3d 1472, 1480 [46 USPQ2d 1641] (Fed. Cir. 1998). The second step is to determine whether the broader aspects of the reissue claim relate to subject matter surrendered during the prosecution of the original patent. See *id.* Determining whether a reissue claim is broader than a canceled claim involves more than simply counting the number of claim elements or claim limitations. See *Bail Corp. v. United States*, 729 F.2d 1429, 1436 [221 USPQ 260] (Fed. Cir. 1984). If a reissue claim broadens a patent in a way that does not attempt to recapture what was surrendered earlier, the recapture rule does not apply. See *Mentor Corp. v. Coloplast, Inc.*, 998 F.2d 992, 996 [27 USPQ2d 1521] (Fed. Cir. 1993).

[3] In the present case, the parties agree that the first step towards applying the recapture rule has been satisfied, in that the reissue claims are broader than the original claims for which plaintiff received patent protection. Indeed, plaintiff concedes that the entire purpose in seeking the reissue patent was to broaden the protection it had obtained in the original patent. The dispute concerns whether the broader aspects of the reissue claim attempt to recapture subject matter surrendered during the prosecution of the original patent.

In this case, plaintiff surrendered the right to have patent protection for a generic pulsing circuit in its original claim, because such pulsing circuitry was already taught by the prior art; specifically Kaplan 4,290,043 and Laughlin 4,129,780. Plaintiff distinguished the prior art by adding two limitations: (1) that the circuit would pulse on and off at intervals that resulted in it being off more often than on; and (2) that the pulsing circuit, when on, would pulse at a substantially higher level of power than it would be able to sustain if left on continuously. These limitations are referred to by the parties as the pulsing diode and substantial pulsing current limitations, respectively.



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original patent application. This form of error has generally been accepted as sufficient to satisfy the "error" requirement of § 251." (internal citations omitted).

Defendant seeks further explanation of how the error arose, but, citing *In re Aranz*, 952 F.2d at 615, admits that "an acceptable explanation" could simply have explained that the alleged error was due to an oversight by the prosecuting attorney. The court, however, sees no meaningful distinction between the "attorney oversight" explanation accepted in *Amar* and plaintiff's allegation that its attorney "failed to recognize" the proper scope of the invention.

Defendant, relying on *In re Constant*, 827 F.2d 729 [3 USPQ2d 1762] (Fed. Cir. 1987), also complains that plaintiff's declarations do not fully specify and discuss each unnecessary limitation present in the original claims and omitted from the reissue claims. As plaintiff points out, however, *Constant* simply requires the patentee to identify the differences between the original claims and the reissue claims, and it does not require the patentee to frame the discussion solely in terms of necessary and unnecessary limitations. Plaintiff's supplemental reissue declaration undertook a line-by-line identification of the differences between the original claims and the reissue claims, and the level of detail provided in the supplemental declaration is sufficient to satisfy the requirements of section 251. Accordingly, defendant's cross-motion for summary judgment on this theory is denied, and plaintiff's cross-motion for summary judgment is granted.

## CONCLUSION

The parties' cross-motions for summary judgment in connection with the on-sale bar theory and original patent theory of invalidity are denied. Plaintiff's cross-motion for summary judgment is granted with respect to the recapture theory of invalidity and the sufficiency of plaintiff's reissue declarations. On or before August 18, 2000, the parties are directed to provide the court with a joint status report outlining a proposed schedule for further proceedings.

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is no more than agreement not to use his ideas without permission or payment, and since this alleged contract did not regulate parties' conduct beyond mere use of plaintiff's ideas.

## COPYRIGHTS

[3] Elements of copyright — Federal preemption — Statutory preemption (§ 205.0803)

## TRADEMARKS AND UNFAIR TRADE PRACTICES

Unfair competition — Preemption (§ 395.02)

Rights asserted in plaintiff's claim for breach of confidential arrangement, which is based on alleged misappropriation of idea for children's television program, are equivalent to exclusive rights granted by Copyright Act, and claim therefore is preempted by 17 U.S.C. § 301(a), since plaintiff does not allege that parties formed explicit agreement of trust or confidentiality, and since facts alleged by plaintiff describe parties acting at arm's length, with no prior dealings, no promise of confidentiality, and no employment or personal relationship that could give rise to duty of trust, and thus do not support plaintiff's contention that dealings and relationships between parties gave rise to "implied" duty of confidentiality.

Action by Steven Fischer and Blue Dog Productions Inc. against Viacom International Inc. and MTV Networks Inc. for violation of Lanham Act, breach of contract, and breach of confidence. On defendant's motion to dismiss. Granted in part and denied in part.

Harold M. Walter and Boyd K. Rubenford of Tydings & Rosenberg, Baltimore, Md., for plaintiffs.

Elizabeth A. McNamara, of Davis, Wright & Tremaine, New York, N.Y.; Michael S. Libowitz, and Michael John Collins, of Thomas & Libowitz, Baltimore, for defendants.

Molz, J.

This case is before the Court on a motion to dismiss filed by the Defendants, Viacom International Inc. and MTV Networks Inc. (collectively "MTVN"). The Plaintiff, Steven Fischer, filed a complaint in the District Court

for Anne Arundel County, Maryland, on December 4, 1999, asserting claims for breach of contract, violation of the Lanham Act, and breach of confidence. MTVN removed the case to this court on February 4, 2000, and filed its motion to dismiss on April 3, 2000.

The Fourth Circuit recently summarized the basic principles governing the resolution of motions to dismiss under Federal Rule 12(b)(6):

The purpose of a Rule 12(b)(6) motion is to test the sufficiency of a complaint; "importantly, [a Rule 12(b)(6) motion] does not resolve contests surrounding the facts, the merits of a claim, or the applicability of defenses." *Republican Party v. Martin*, 980 F.2d 943, 952 (4th Cir. 1992). Accordingly, a Rule 12(b)(6) motion should only be granted if, after accepting all well-pleaded allegations in the plaintiff's complaint as true and drawing all reasonable factual inferences from those facts in the plaintiff's favor, it appears certain that the plaintiff "cannot prove any set of facts in support of his claim entitling him to relief." *See id.* We do note, however, that for purposes of Rule 12(b)(6), we are not required to accept as true the legal conclusions set forth in a plaintiff's complaint. *See District 28, United Mine Workers of Am., Inc. v. Wellmore Coal Corp.*, 609 F.2d 1083, 1085 (4th Cir. 1979).

*Edwards v. City of Goldsboro*, 178 F.3d 231, 233-34 (4th Cir. 1999). Exhibits attached to the pleadings are considered part of the complaint. *See Fed. R. Civ. P. 10(c)*. Where matters outside the pleadings are considered by the court, a defendant's motion to dismiss will be treated as one for summary judgment under Rule 56. *See Fed. R. Civ. P. 12(b)(6)*.

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In the late 1970s, Steven Fischer created an animated "character" team called "Steve & Bluey," comprised of "a guy named 'Steve' and his blue dog named 'Bluey.'" This character team served as the basis for numerous copyrighted works between 1989 and 1993, including an unpublished manuscript, *Bluey and His Friend the Bluey*, and a published collection of comic strips titled *There's a Blue Dog Under My Bed*. In 1990, Fischer incorporated Blue Dog Productions, Inc., to publish